

SECTION III- SHAPING OUR 21ST CENTURY MANPOWER

OVERVIEW

People who are well led, well trained, and adequately compensated are the most important resource in our readiness equation. Quality of life and quality of service remain a primary focus for the Department. America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. The development and retention of quality people are vital to our continued success. The Department is committed to taking care of our Sailors and Marines by sustaining our quality of service/quality of life programs, including training, compensation, and promotion opportunities, health care, housing, and reasonable operational and personnel tempo. The Department continues to focus on three fronts: recruiting the right people, retaining the right people, and achieving targeted attrition. We continue to dedicate resources to those programs best suited to ensuring the proper combination of grade, skill, and experience in the force.



Military personnel FY 2006/FY 2007 budget estimates include a basic pay raise of 3.1 percent in FY 2006, and 3.4 percent in FY 2007. We have funded various bonus programs to ensure success in meeting budgeted strength levels. As a result of increased efficiencies ashore and a reduction in legacy force structure, the Navy has budgeted reduced strength in FY 2006 and FY 2007. All assigned missions can be accomplished with this level as a result of force structure changes, efficiencies gained through technology, altering the workforce mix, and new manning practices. Management of the resizing is challenging and requires additional force shaping tools, such as early separation authorities. The Marine



Corps baseline strength remains steady while undergoing military to civilian conversions to reassign supporting establishment billets to deployable forces, in effect creating a virtual increase in strength while providing scalable and interoperable forces to ensure continued readiness. Congress has authorized additional strength for the Marine Corps, and the

Department will separately fund such requirements in supplemental requests as they continue.

Training our Sailors and Marines is critical to implementing transformation initiatives and to ensure optimum results. The Department is transforming the naval military personnel force by creating modern human resource systems to

achieve the objectives of Sea Power 21 and Marine Corps Strategy 21. To accommodate the demand for this training in a more efficient manner, the Department is transitioning its training concepts and methods from the traditional schoolhouse classroom approach to processes that involve the use of simulators, trainers, computer-based interactive curriculums, and other approaches that are media based. Transformation initiatives are often the result of emerging technologies that permit the creation of a new type of military force and approach to warfare. Training individuals is critical to taking full advantage of advanced technologies.

MILITARY PERSONNEL

Active Navy Personnel

We have invested in recruiting, retaining, and training Navy personnel to create an environment that offers opportunity, promotes personal and professional growth, and provides the kind of workforce needed for the 21st century. With few exceptions, we achieved C-2 manning status for all deploying strike group units at least six months prior to deployment.



The Navy is developing the Human Capital Strategy (HCS) that will provide a new framework to assess, train, develop and distribute our manpower. Central to the strategy is the need to fully understand the manpower requirement of our future force. This will allow us to tailor our total manpower needs, expanding or contracting where it is required. The goals of the HCS are:

- A mission centric force that is effective and efficient.
- A Navy that maximizes the value of service for all of our Sailors and civilians.
- An organization that has a more effective work distribution across the work force.
- Sailors attaining a better work / life balance.
- A Navy that is recruiting and retaining a diverse range of Sailors and civilians possessing a wide scope of knowledge, skills and experience.

Central to HCS is the Sea Warrior program, which is the Navy's initiative to develop 21st century Sailors, and is the "people" part of Sea Power 21. This initiative takes into account new platforms, technologies, and rotational crewing concepts (Sea Swap) that will revolutionize crew sizing, and provide interactive computer based tools and training techniques.

The budgeted Navy strength reflects a commitment to "proper sizing" including:

- Sea Swap rotational crew pilot program
- Decommissioning of older, manpower intensive platforms
- Improved training and employment processes (e.g., Navy/Marine Corps TACAIR integration)
- More efficient infrastructure manning
- Increased reliance on technology to reduce shipboard manning and shorten training pipelines
- Conversion of military to civilian or contractor performance as appropriate, including continued conversion of some billets on Military Sealift Command (MSC) ships, shift of additional ships to MSC, and a substantial number of medical functions.

Recruiting continues to meet the manpower needs of the Navy. Active Navy recruiters have met their monthly shipping and new contract mission goals for 41 consecutive months. Active recruiting also continued to increase the quality of sailors being sent to the fleet by increasing the High School Diploma Graduate percentage to over 95 percent, and over 70 percent of FY 2004 accessions were in test score category I-III. Over 12 percent of new recruits had some college experience. We will maintain the number of E-4 to E-9 (Top 6) at 73 percent in FY 2006 and FY 2007 to continue to retain more of our experienced leaders and maintain advancement opportunities.



Recruiter Productivity (Active)				
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
# of Recruiters	4,370	4,200	3,750	3,550
# of Recruits	38,876	36,665	35,000	35,000
# of Recruits per Recruiter	9	9	9	10
Size of DEP (Beginning of FY)	26,367	24,927	24,927	24,927

Chart 8 and Table 12 provide summary personnel strength, accessions, reenlistment, and attrition data for active Navy personnel.

Chart 8- Active Navy Personnel Strength

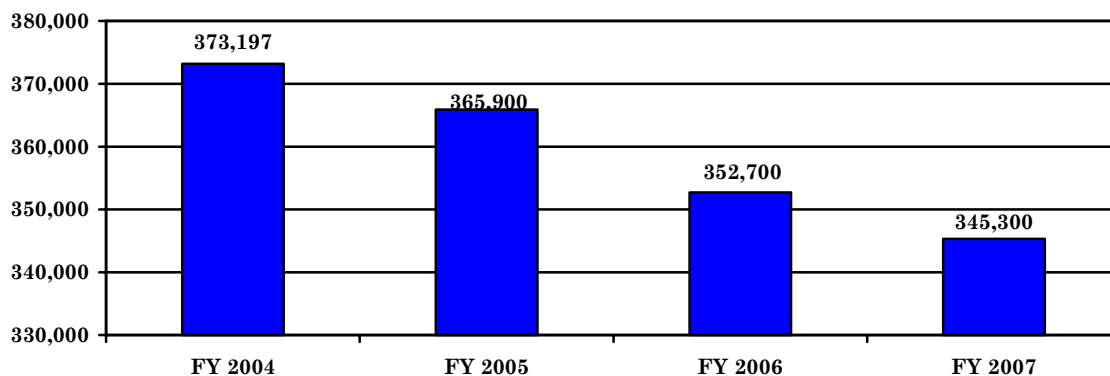


Table 12**Department of the Navy
Active Navy Personnel**

	FY 2004	FY 2005	FY 2006	FY 2007
Officers	54,208	52,870	51,895	51,435
Enlisted	314,681	309,030	296,705	289,865
Midshipmen	4,308	4,000	4,100	4,000
Total: Strength	373,197	365,900	352,700	345,300
Enlisted Accessions	39,677	38,500	35,000	35,000
Percent High School Diploma Graduates	94%	95%	95%	95%
Percent above average Armed Forces Qualification Test	70%	70%	70%	70%

Enlisted Reenlistment Rates

	FY 2004	FY 2005	FY 2006	FY 2007	Steady State Goal
Zone A (<6 years)	54%	53%	55%	52%	57%
Zone B (6+ to 10 years)	70%	69%	69%	70%	70%
Zone C (10+ to 14 years)	86%	85%	84%	85%	90%

Note: Strength Plans categorize reenlistments as First Term (Zone A) and Career. Zones B and C rates derived using extrapolated Center for Career Development historical data.

Enlisted Attrition

	FY 2004	FY 2005	FY 2006	FY 2007
Zone A (<6 years)	8.5%	7.7%	8.0%	7.8%
Zone B (6+ to 10 years)	2.5%	1.5%	2.0%	1.7%
Zone C (10+ to 14 years)	1.4%	0.8%	0.9%	0.8%

Reserve Navy Personnel

The budget continues to transform our military, further integrating our Active and Reserve forces. The Naval Reserve Force provides mission-capable units and individuals to the Navy/Marine Corps Team throughout the full range of operations from peace to the Global War on Terrorism. This budget will support Naval Reserve strength of 73,100 in FY 2006, reduced to 71,200 in FY 2007, providing pay and allowances for drilling Navy reserve and Full Time Support (FTS) personnel. FY 2005 strength is currently expected to be 3,000 below the authorized level, as part of the changes described below.



The Navy's continuous Zero Based Review (ZBR) is validating Navy Reserve mission requirements and associated reserve billet structure, creating efficiencies and allowing resources in every capability to be more effectively integrated into Navy operations. The budget reflects implementation of the

initial phases of the ZBR. Some of these modifications include: disestablishment of FFG-7 class augment units and changes to the ship manning documents, reduction of CVN augment units and SeaBee units, deletion of reserve personnel on a submarine tender, reductions in manning at various naval stations, conversion of Force Protection FTS and drilling reserve billets, and disestablishment of the EA-6B augment units due to future transition to EA-18G. This budget also provides a non-prior service program to meet Hospital Corpsman manning challenges and adds funding for force shaping to allow the force to align to the ZBR structure. The Navy Reserve goal is to increase the ability to provide integrated, valued, and aligned capabilities that maximize periodic and predictable operational support to the fleet.

In FY 2006, this budget reflects a \$70M mobilization cost avoidance in Reserve Personnel, Navy. This adjustment was made in anticipation of continued operations in the GWOT requiring the mobilization of reservists.

Chart 9 and Table 13 provide summary personnel strength, for reserve Navy personnel.

Chart 9 - Reserve Navy Personnel Strength

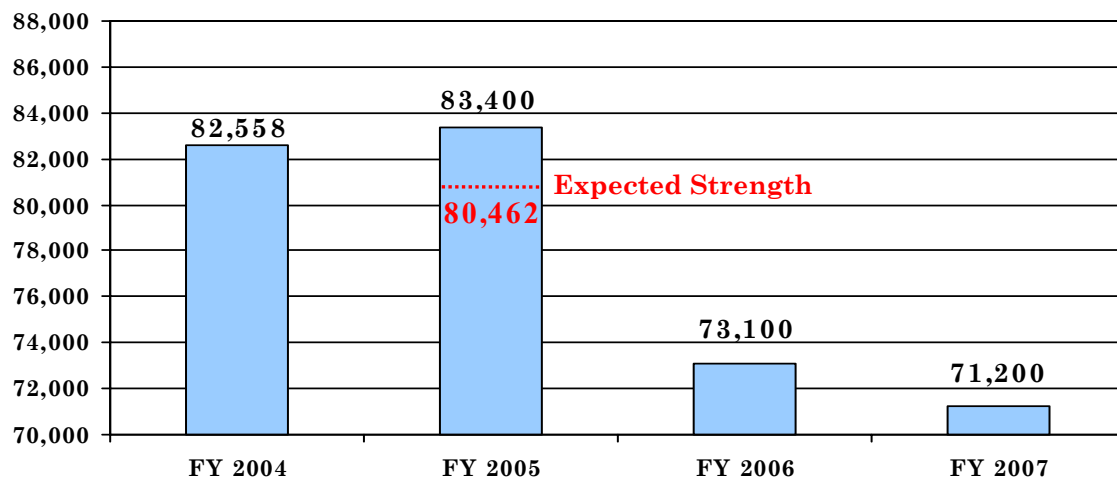


Table 13

**Department of the Navy
Reserve Navy Personnel**

	FY 2004	FY 2005	FY 2006	FY 2007
Drilling Reserve	68,440	69,248	59,708	58,619
Full Time Support	14,118	14,152	13,392	12,581
Total: Strength	82,558	83,400	73,100	71,200

Also refer to Appendix A for more information:

Military Personnel, Navy
 Medicare-Eligible Retiree Health Fund Contribution, Navy
 Reserve Personnel, Navy
 Medicare-Eligible Retiree Health Fund Contribution, Navy Reserve

Table

A-1a
 A-1b
 A-3a
 A-3b

Active Marine Corps Personnel

This budget submission supports a strength of 175,000 Marines. The Marine Corps is realigning existing strength to ensure continuing readiness and sustained combat capabilities. Military to civilian conversions allow Marines



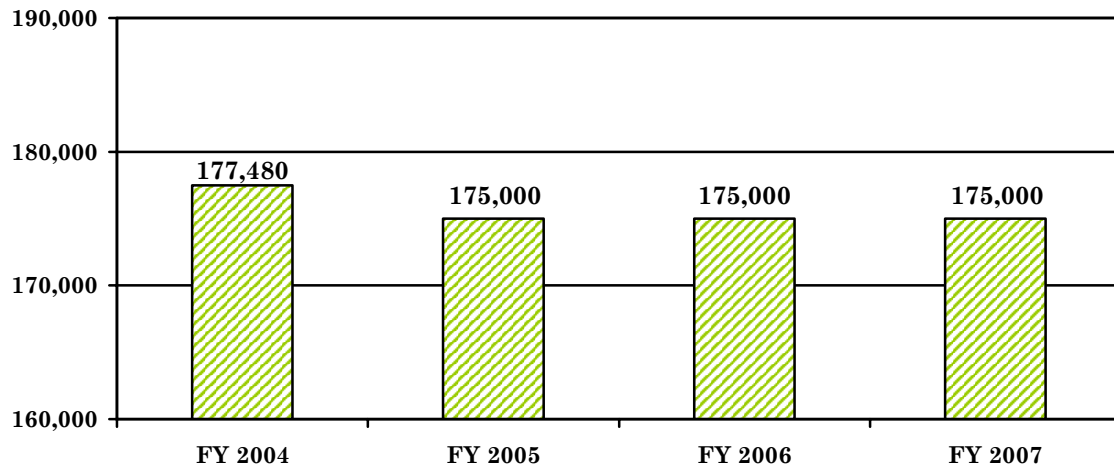
who were in supporting establishment billets to be reassigned to deployable forces, effectively increasing the number of “trigger pullers” with no increase in strength. Also, additional strength, as authorized for FY 2005, will be funded through supplemental requests to the extent it remains necessary during intense contingency operations.

Due to increased demands, we are relying on Selected Marine Corps Reserve unit activations and individual augmentees as necessary to provide essential wartime capability.

The Marine Corps anticipates continued success in meeting recruiting and retention goals to maintain the planned force level. Additionally, this budget supports requirements for initial skill training, and follow-on training courses; provides for a martial arts program that provides combat skills for all members; and supports continued success in meeting recruit accession goals. This budget request also continues distance-learning programs in an effort to reduce the training pipeline, thereby increasing manning levels of the operating forces.

Recruiter Productivity (Active)				
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
# of Recruiters	2,650	2,650	2,650	2,650
# of Recruits	30,450	32,006	32,468	32,600
# of Recruits per Recruiter	12	12	12	12

Chart 10 and Table 14 provide summary personnel strength, accessions, and retention data for active Marine Corps personnel.

Chart 10 - Active Marine Corps Personnel Strength**Table 14**

Department of the Navy
Active Marine Corps Personnel

	FY 2004	FY 2005	FY 2006	FY 2007
Officers	18,839	18,088	18,400	18,400
Enlisted	158,641	156,912	156,600	156,600
Total: Strength	177,480	175,000	175,000	175,000
Enlisted Accessions	30,450	33,006	32,468	32,600
Percent High School Diploma Graduates	98%	95%	95%	95%
Percent above average Armed Forces Qualification Test	72%	63%	63%	63%
Reenlistments	14,896	15,200	17,519	16,542

Enlisted Retention Rates

	FY 2004	FY 2005	FY 2006	FY 2007	Steady State Goal
Zone A (<6 years)	26.0%	25.0%	25.0%	25.0%	25.0%
Zone B (6+ to 10 years)	81.0%	80.0%	80.0%	80.0%	80.0%
Zone C (10+ to 14 years)	93.0%	90.0%	90.0%	90.0%	90.0%

Reserve Marine Corps Personnel

The FY 2006/FY 2007 budget request supports a Marine Corps Reserve strength of 39,600. This strength ensures the availability of trained units augmenting and reinforcing the active forces, as well as providing manpower for a Marine Air Ground Task Force headquarters and Marine Forces Reserve. The budget



provides pay and allowances for drilling reservists attached to specific units, Individual Mobilization Augmentees (IMAs), personnel in the training pipeline, and full-time active Reserve personnel. Consistent with the active component, the Marine Corps funds bonus programs at levels required to meet recruiting and retention goals.

In FY 2006, this budget reflects a \$36 million mobilization cost avoidance in Reserve Personnel, Marine Corps. This adjustment was made in anticipation of continued operations in the GWOT requiring the mobilization of reservists.

The Marine Corps continually reviews its reserve requirements to fully support the National Military Strategy. The Department remains committed to reserve support enhancing and complementing the active force while maintaining unit readiness to meet crisis and security requirements. Chart 11 and Table 15 provide summary personnel strength for reserve Marine Corps personnel.

Chart 11 - Reserve Marine Corps Personnel Strength

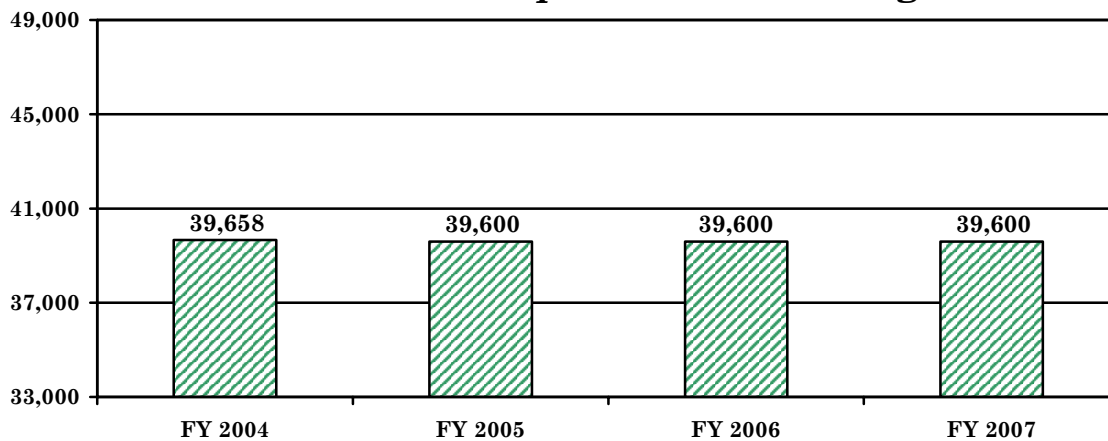


Table 15

Department of the Navy

Reserve Marine Corps Personnel

	FY 2004	FY 2005	FY 2006	FY 2007
Drilling Reserve	37,395	37,339	37,339	37,339
Full Time Support	2,263	2,261	2,261	2,261
Total: Strength	39,658	39,600	39,600	39,600

Also refer to Appendix A for more information:

Military Personnel, Marine Corps
Medicare-Eligible Retiree Health Fund Contribution, Marine Corps
Reserve Personnel, Marine Corps
Medicare-Eligible Retiree Health Fund Contribution, Marine Corps Reserve

Table

A-2a
A-2b
A-4a
A-4b

CIVILIAN PERSONNEL

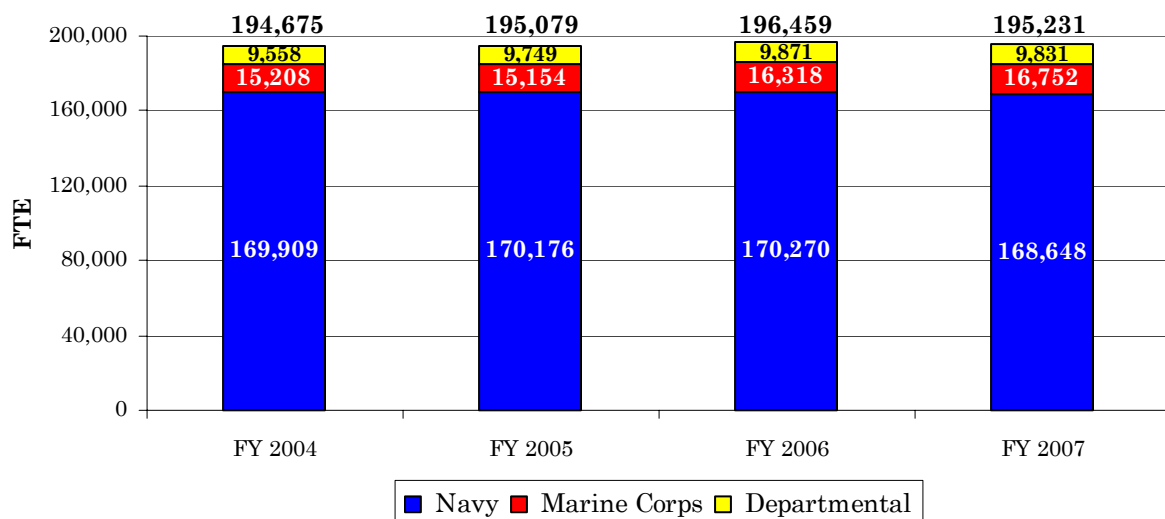
The majority of the Department's civilian personnel are funded by operating appropriations and provide direct support at Navy and Marine Corps bases and stations; engineering, development, acquisition and life cycle support of weapon systems; Navy Fleet/Marine Corps operations support; and medical activities. In addition, a significant portion of civilian personnel work at Navy Working Capital Fund activities supporting depot level maintenance and repair, development of enhanced warfighting capabilities at warfare centers, and direct fleet transportation, supply, and public works support. Departmental functions include: Departmental headquarters organizations, criminal investigative service, human resource support, scientific research, and acquisition program oversight within the Navy and Marine Corps. Since FY 2000, the Department has done better than the directed management headquarters personnel reduction of 15 percent. Overall reductions in civilian personnel levels are offset by increases due to military to civilian conversions in the medical and transportation areas, and in the Marine Corps as previously discussed.



The Department of the Navy budget includes the following civilian personnel Full-Time Equivalent (FTE) workyear estimates:

Civilian FTE Workyear Estimates				
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
FTE	194,675	195,079	196,459	195,231

Chart 12 - Civilian Personnel FTEs



Transforming the Workforce

National Security Personnel System (NSPS)

The FY 2004 National Defense Authorization Act authorized the Department of Defense to establish a new civilian human resources management system known as the National Security Personnel System (NSPS). This legislation provides flexibilities in the hiring and management of civilian workers, and links pay to mission accomplishment and performance. The NSPS reforms will provide supervisors and managers greater flexibility in managing our civil service employees, facilitate competition for high quality talent, offer compensation competitive with the private sector, and reward outstanding service. Properly executed, these changes will also assist us in better utilizing the active duty force by making it easier to employ civilians in jobs currently filled by uniformed military personnel.

Workers will be converted to the new system in three spirals. Spiral One will include approximately 300,000 Army, Navy, Marine Corps, Air Force, and other Department of Defense civilian employees and will be rolled out in three phases over an 18-month period beginning in July 2005. Spiral Two will comprise the remainder of the eligible workforce and will be initiated following an assessment of Spiral One and after the Secretary of Defense certifies the Department's performance management system. Spiral Three will comprise the Department of the Defense labs should current legislative restrictions be eliminated.

Workforce Balancing

The Department strives to achieve the most effective and efficient workload balance among its military, civilian, and supporting contractor components. As part of the Strategic Sourcing program, the Department will study over 63,000 military and civilian positions by FY 2008. Additionally, the Department continues to identify military billets that are not "military essential" for conversion to civilian personnel or contractor performance.

Civilian Community Management

The Department is invigorating civilian career management, from entry-level recruitment through the progression into senior ranks, by reviving old and establishing new career groups covering a wide range of functions to support the integrated force concept. Central to this is the identification of needed competencies for each career group, and performance standards necessary for mission accomplishment. This will ensure the Navy and Marine Corps will have the right mix of people and skills.

The Department of the Navy continues to strive towards a leaner, more efficient organization so that it can best address its warfighting and recapitalization

requirements. Chart 12 displays planned civilian personnel full-time equivalents and Table 16 displays total civilian personnel resources.

Table 16
Department of the Navy
Civilian Manpower
Full-time Equivalent

	FY 2004	FY 2005	FY 2006	FY 2007
Total — Department of the Navy	194,675	195,079	196,459	195,231
<u>By Component</u>				
Navy	169,909	170,176	170,270	168,648
Marine Corps	15,208	15,154	16,318	16,752
Departmental	9,558	9,749	9,871	9,831
<u>By Type Of Hire</u>				
Direct	183,267	183,442	184,877	183,680
Indirect Hire, Foreign National	11,408	11,637	11,582	11,551
<u>By Appropriation</u>				
Operation and Maintenance, Navy	78,549	77,793	75,954	74,835
Operation and Maintenance, Navy Reserve	1,455	1,497	1,360	1,347
Operation and Maintenance, Marine Corps	15,178	15,149	16,313	16,747
Operation and Maintenance, Marine Corps Reserve	164	155	155	155
Defense Health Program (DHP)	10,622	10,962	12,608	13,287
Working Capital Funds	84,041	84,359	85,319	84,321
Military Construction, Navy	2,322	2,344	2,334	2,310
Research, Development, Test & Evaluation, Navy	1,291	1,267	1,128	1,128
Military Assistance	64	69	69	69
Family Housing (N/MC)	989	1,484	1,219	1,032
<u>Select Special Interest Areas</u>				
Fleet Activities	25,516	25,764	25,540	25,550
Shipyards	11,511	11,426	11,470	10,836
Aviation Depots	10,922	10,952	10,868	10,780
Supply/Distribution/Logistics Centers	5,953	6,667	6,546	6,531
Warfare Centers	35,997	35,904	35,141	34,884
Engineering/Acquisition Commands	13,945	13,091	13,050	12,944
Medical (DHP)	10,622	10,962	12,608	13,287
Installation Management	25,562	25,411	23,377	22,820
Transportation	6,905	6,978	7,615	8,079

This page intentionally left blank.